Jon Commers, Chair



Telephone: 651-266-6700

Facsimile: 651-228-3220



CITY OF SAINT PAUL Christopher B. Coleman, Mayor

25 West Fourth Street Saint Paul, MN 55102

Date: October 5, 2011

To: Comprehensive Planning Committee

From: Staff for the Industrial Zoning Study

(Patricia James, Ellen Muller, Luis Pereira, Penelope Simison, Allan Torstenson)

Subject: Economic Development Strategy/Context for the Industrial Zoning Study

This memo responds to issues and questions raised by committee members during the September 27 discussion of the preliminary staff recommendations for the industrial zoning study.

The industrial zoning study was conceived to implement three policies in the Land Use chapter of the *Saint Paul Comprehensive Plan*, adopted in 2010. Those policies, attached, call for a study of three broad issues, with the intention of protecting the City's employment base by ensuring compatibility between the primary industrial function of an industrial district and any non-industrial uses in that district. The components of the study are: (1) the industrial use list; (2) a review of non-industrial uses to ensure that they do not detract from the primary function of an industrial district; and (3) design standards for industrial districts.

Committee members inquired as to why the study did not address broader economic development issues, because an industrial zoning study should be based on an overall industrial and economic development policy that industrial zoning regulations are crafted to implement.

To address those questions and to update committee members on current efforts, this memo discusses the following:

- Zoning implements policy
- A city's role, historically
- Differences between policy and strategy City's most recent economic development strategy
- Current efforts
- Resource for City efforts

Zoning implements policy

The industrial zoning study and other zoning studies are used to implement policies found in the *Comprehensive Plan*, including the Land Use Plan, small area plans, district plans, etc., adopted by the City Council.

Industrial land use policies in the Land Use Plan are aimed at maintaining the city's employment base. Industrial employment categories (generally used by the Minnesota Department of Employment and Economic Development, etc.) include a broad range of production, processing, manufacturing, office, service, and related commercial uses. A 2008 City economic development

strategy (not part of the *Comprehensive Plan*) concentrates efforts on sectors with the greatest potential for job creation and those less likely to be outsourced. Sectors with the greatest potential for job creation tend to involve limited production and processing, office, service and commercial uses that are permitted in T2-T4, B3 and B5 districts as well as in industrial districts.

For the security of investors, buildings for industrial employment need to be designed to accommodate a broad range of production, processing, manufacturing, office, service, and related commercial uses. In response to market forces and changing needs, for example, space used for production of computers or software may need to be used for medical offices or laboratories a couple of years later. Zoning needs to accommodate such use changes without a difficult, unpredictable, or time-consuming permitting process.

A city's role, historically

The City's role in business development generally focuses on business recruitment, financing for development or redevelopment, and controlling how the land within its boundaries is used. The *Comprehensive Plan* designates land use in the city, and the Zoning Code sets conditions and standards for specific land uses and zoning districts. The City also has tools that foster business development; specifically, establishing redevelopment areas and tax increment financing (TIF) districts and facilitating the cleanup of brownfields.

Differences between policy and strategy – City's most recent economic development strategy

When the Commission and staff were updating the *Comprehensive Plan*, there was a request to include an economic development chapter in the document. In fact, PED staff was working on an economic development strategy at that time. It was a joint effort involving several Saint Paul partners that focused on six broad initiatives, as outlined in the strategy overview (attached).

As was noted at the September 27 committee meeting, there are inherent challenges with including such a strategy in a comprehensive plan. A comprehensive plan is intended to be a 10 year document, whereas an economic development strategy usually has a "shelf-life" of 3-5 years.

For several reasons, the strategy produced in 2008 is dated. The economic crisis of 2008 meant that some elements of the strategy were not relevant to business conditions during the recession that followed. Moreover, technology is ever more quickly changing ways in which business works. Lastly, an economic development strategy, while not ignoring the policies that ground its initiatives, is generally focused on specific programs and projects.

Current efforts

The economic development strategy has been superseded by two efforts, including PED's commercial corridors inventory and the *Minneapolis-Saint Paul Metropolitan Business Plan*.

The aim of the commercial corridors inventory is to facilitate redevelopment in downtown and along eight commercial corridors. (See attached description of objectives and activities.) PED's economic development team has identified properties owned by the City or the Housing and Redevelopment Authority, strategically located in these corridors, where redevelopment could lead to additional investment elsewhere in the corridor. The commercial corridors inventory is, in many ways, a classic economic development strategy because, while it is grounded in a vision ("to actively create opportunities and encourage investment") it focuses on taking advantage of opportunities for redevelopment as they arise.

The genesis of the *Minneapolis-Saint Paul Metropolitan Business Plan* (MSP) is a collaboration, begun by the Urban Land Institute, to beef up the regional economy and, as a result, to facilitate

growth in each of its cities. Mayor Christopher Coleman and his administration are heavily involved in its work. Soon after the launch of MSP in March 2011, The Brookings Institution selected six metropolitan areas around the country for intense work augmenting their regional economies in ways that benefit both the national economy and the region. The local collaboration soon merged with the Brookings effort, which is an Obama administration priority supported by federal funds.

MSP has key action items. One is "Accelerate MSP," which focuses on entrepreneurial efforts, particularly start-up businesses, that can foster regional growth. The prospectus for the Accelerate MSP initiative is attached; the draft of the action plan is expected to be completed by the end of this year.

Another action item is "Thinc Green MSP," which grew out of an initiative started by Mayor Coleman and Mayor R. T. Rybak in 2006; it is intended to foster the growth of energy efficient businesses and products.

The third major action item is the "Metropolitan Export Initiative." MSP is working in coordination with the Minnesota Trade Office to support and expand businesses and industries that export products and services outside the region. As will be noted below under Resources, a regional economy grows when its industry clusters produce products and services in excess of what is needed within the region. The export initiative is intended to expand the depth and scope of existing industry clusters so their reach extends beyond the region.

An executive summary of MSP is attached. The link to Regional Economic Development Initiatives is http://stpaul.gov/index.aspx?NID=4244 This site includes the full MSP document, the Executive Summary, Accelerate MSP and the Thinc.Green MSP Initiatives. The link to the Metropolitan Export Initiative is https://www.box.net/shared/x7xdeou0go

Resource for City efforts

MSP taps into ongoing work by the Minnesota Department of Employment and Economic Development (DEED) on industry clusters.

Clusters are geographically based groupings of businesses and industries logically related to each other, generally through using similar industrial processes or supply chains, or producing goods and services that are connected in some way.

DEED has identified regional clusters that generate sufficient economic activity so that their products can be exported beyond the region. It is the region's ability to export products and services beyond what is needed locally that creates wealth and a vibrant economy. A DEED graphic illustrating clusters in the metropolitan region, including the nine strongest clusters, is attached.

The City, particularly in recent years, has increasingly relied on DEED's cluster analysis to shape its economic development programs and projects. Cluster analysis was part of the baseline of the economic development strategy of the mid-2000s and, currently, is an integral part of MSP planning.